

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2013-186-C**

<b>In re:</b>	)
	)
<b>Application Of Sage Telecom</b>	)
<b>Communications, LLC, doing business as</b>	)
<b>Sage Telecom, for a Certificate of Public</b>	)
<b>Convenience and Necessity to Provide Local</b>	)
<b>Exchange and Interexchange</b>	)
<b>Telecommunications Services, for Alternative</b>	)
<b>Regulation, for Flexible Regulation, and</b>	)
<b>Jointly with Sage Telecom, Inc. for Authority</b>	)
<b>to Complete a <i>Pro Forma</i> Reorganization and</b>	)
<b>Assignment of Assets</b>	)

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**TESTIMONY OF JOSEPH P. HOLOP**

**ON BEHALF OF**

**SAGE TELECOM COMMUNICATIONS, LLC**

**AND**

**SAGE TELECOM, INC.**

**1.     INTRODUCTION**

**Q.     Please state your name, title and business address for the record.**

A.     My name is Joseph P. Holop. I am the Chief Operations Officer for Sage Telecom Communications, LLC, doing business as Sage Telecom (“Sage LLC”), and am authorized to testify in this proceeding on behalf of Sage LLC and Sage Telecom, Inc. (“Sage Inc.”). Our offices are located at 10440 N. Central Expressway, Suite 700, Dallas, Texas 75231.

**Q.     Please describe your background and qualifications.**

A.     I joined Telscape Communications, Inc. in 2006 as Senior Vice President/Chief Technology Officer to support and lead the expansion of their technology platform. This included innovating new technologies and services that lead the marketplace and serve the unique needs of the Hispanic community. In July 2010, I was promoted to Chief Operations Officer. Before joining Telscape, I was the Vice President of Information Technology at McLeodUSA, Inc. Prior to that, I worked at MCI WorldCom where I held positions as the business unit CIO for the Mass Markets Group, and also as the CIO for the International Group based out of London, UK. I also held management information technology positions at EDS, Exxon Chemical Americas and Gould Computer Systems. I received a Bachelor of Science in Computer Science and Marketing from Boston College.

**Q.     Please describe your responsibilities for Sage LLC.**

A.     I am responsible for overseeing all of the day-to-day operations of Sage LLC.

**Q.     Are you familiar with the application your company submitted to this Commission?**

1 A. Yes, I am familiar with the application and wish to incorporate by reference the  
2 application and its associated exhibits. All of the statements and exhibits are correct and  
3 true to the best of my knowledge, information, and belief.

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to present evidence in support of Sage LLC's  
6 application for competitive local exchange and interexchange authority by  
7 demonstrating that Sage LLC has the requisite financial, managerial, and technical  
8 capability to provide competitive local exchange and interexchange  
9 telecommunications throughout the State of Carolina and that approval of this  
10 application is in the public interest. The purpose of my testimony is also to describe the  
11 proposed *pro forma* internal structural change of Sage Inc. and Sage LLC which  
12 necessitates the filing of the application. I will describe the *pro forma* transaction and  
13 how it benefits the public interest.

14 **Q. Please briefly describe your company's corporate structure.**

15 A. Sage LLC is a limited liability company organized under the laws of the State of Texas  
16 in December 2012. TSC Acquisition Corporation ("TSC") is the corporate parent of  
17 Sage LLC and Sage Inc. Sage Inc. was authorized to provide local exchange and  
18 interexchange telecommunications services in South Carolina by Commission Order  
19 No. 2008-4 on January 11, 2008. Exhibit 8 of the application illustrates the corporate  
20 organization chart. TSC is committed to providing the necessary financial support to  
21 the operations of Sage LLC.

22 **2. SAGE LLC'S CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

23 **Q. Has Sage LLC registered to do business in South Carolina?**

1 A. Yes, the South Carolina Secretary of State issued a certificate of authority for Sage  
2 LLC to transact business in South Carolina on February 15, 2013. A copy of the  
3 Certificate of Authorization is attached as Exhibit 2 of the application.

4 **Q. Please describe the services Sage LLC intends to provide with the State of South**  
5 **Carolina.**

6 A. Sage LLC proposes to provide facilities-based and resold local exchange and  
7 interexchange services in South Carolina. Sage LLC seeks the same authority that the  
8 Commission granted to Sage Inc. in Docket No. 2007-337-C, Order No. 2008-4, dated  
9 January 11, 2008. The proposed Local Exchange Services Tariff, Interexchange Services  
10 Tariff and Access Services Tariff attached to the application contain the same rates, terms  
11 and conditions as the current Sage Inc. tariffs on file with the Commission.

12 **Q. Has Sage LLC executed a stipulation with the South Carolina Telephone Coalition?**

13 A. Yes.

14 **Q. What facilities will Sage LLC use to provide its proposed local exchange services?**

15 A. We intend to use the same facilities currently used by Sage Inc. Facilities-based local  
16 exchange service will be provided via (1) commercial wholesale agreements with  
17 incumbents, (2) Sage LLC's own facilities, or (3) a combination of these. Sage LLC  
18 will provide Toll services utilizing third parties via the Least Cost Routing process.  
19 Sage seeks the full range of resold and facilities-based local exchange and  
20 interexchange authority so that it can have flexibility in provisioning its services in the  
21 future.

22 **Q. Has Sage LLC begun negotiations with incumbent local exchange carriers in**  
23 **South Carolina?**

1 A. Sage LLC has not yet begun negotiations with South Carolina incumbent local  
2 exchange carriers. Negotiations will begin shortly before Sage LLC intends to start  
3 providing local exchange service.

4 **Q. Please discuss Sage LLC's managerial and technical ability.**

5 A. Sage LLC's officers and management have extensive managerial and technical expertise  
6 in the telecommunications industry. In addition to my experience, Shahin Sazej, the Chief  
7 Technical Officer, has over 25 years of experience in the telecommunications and  
8 information technology industry. David Wilder, our Chief Financial Officer is a certified  
9 public accountant with over 30 years of broad industry experience. Additional  
10 information regarding the managerial qualifications of the company's key personnel is  
11 provided in Exhibit 7 of the application.

12 Sage LLC's officers, which are the same as those for Sage Inc., are well qualified  
13 to execute its business plan. Sage LLC's local exchange and interexchange operations  
14 will be directed by Sage Inc.'s existing corporate management, and technical and  
15 operations staff who are responsible for the company's current operations. As discussed  
16 above, the transaction is *pro forma* in nature, and Sage LLC will continue to be managed  
17 by the same team that currently manages Sage Inc. The company's key management  
18 personnel have extensive telecommunications experience and expertise necessary to meet  
19 the challenges of operating a competitive telecommunications carrier. Sage Inc. has been  
20 operating as a competitive local exchange carrier providing local, access, long distance,  
21 and enhanced services for over sixteen years and has been certificated in South Carolina  
22 since 2008. As the restructuring of Sage Inc. is *pro forma* in nature, Sage LLC will rely  
23 on the same technical resources that supported Sage Inc.'s operations.

1           Because the current management team and technical resources will remain  
2           unchanged as a result of the pro forma internal structural change, Sage LLC respectfully  
3           submits that it is qualified to provide telecommunications services in South Carolina.

4   **Q.   Please describe Sage LLC’s financial ability to operate as a telecommunications**  
5   **carrier.**

6   A.   Sage LLC is a newly formed entity. As a result it will have access to the financial  
7           resources of TSC to finance its operations. Although no additional capital expenditures  
8           are anticipated in light of the internal corporate restructuring, TSC is committed to  
9           providing the financial resources and support necessary for Sage LLC to continue to  
10          provide the services currently offered by Sage Inc. As part of its application, Sage LLC  
11          provided the Commission with TSC’s confidential financial statements in Exhibit 6. The  
12          financial statements demonstrate that Sage LLC has access to sufficient financial  
13          resources to provide the proposed services in South Carolina and to meet its cash needs.

14               Moreover, the internal structural change will better position the company to  
15               access the capital markets, and in particular, obtain additional funding through  
16               opportunities afford by virtue of Sage LLC’s participation in the U.S. Treasury’s New  
17               Markets Tax Credits (“NMTC”) Program.

18   **Q.   Is Sage LLC currently authorized to provide intrastate telecommunications**  
19   **services in any other states?**

20   A.   Yes, Sage LLC is authorized to provide intrastate telecommunications services in  
21           Colorado, Connecticut, Florida, Indiana, Kentucky, Missouri, Montana, New Mexico,  
22           North Carolina, Ohio, Oregon, Texas, Washington, Wisconsin, and Wyoming. Sage  
23           LLC is currently in the process of obtaining authority in the jurisdictions where Sage

1 Inc. and its subsidiary Sage Telecom of Texas, LP are authorized including Arkansas,  
2 California, Illinois, Kansas, Michigan, Nevada, North Dakota, Oklahoma, and South  
3 Dakota.

4 **Q. Has Sage LLC provided any intrastate telecommunications services within the State**  
5 **of South Carolina?**

6 A. No, it has not.

7 **Q. How will Sage LLC bill its customers?**

8 A. Sage LLC will bill its customers directly on a monthly basis. The toll free customer  
9 service telephone numbers as well as its email contact information will be included on the  
10 bill.

11 **Q. How are customer inquiries and billing disputes resolved?**

12 A. Customers may call Sage LLC's toll free numbers for (1) residential customer service at  
13 1-888-449-4940 and (2) business customer service at 1-877-619-3969 or contact  
14 customers service at [complaint@sagetelecom.net](mailto:complaint@sagetelecom.net). Sage representatives will address  
15 customer inquiries and disputes at these numbers. The toll free telephone numbers will be  
16 available 24 hours per day, 7 days per week. The person for the Commission or the  
17 Office of Regulatory Staff to contact regarding consumer issues and customer inquiries is

18 Ms. Sherri Flatt  
19 Sage Telecom, Inc.  
20 Executive Director, Regulatory Affairs  
21 10440 N. Central Expressway, Suite 700  
22 Dallas, Texas 75231-2228  
23 Telephone: (214) 495-4847  
24 [sflatt@sagetelecom.net](mailto:sflatt@sagetelecom.net)  
25

26 **Q. How will Sage LLC market services in South Carolina?**

27 A. Sage has experience in providing clear, concise and consistent marketing and disclosure

1 information to its customers. Sage will market its services in South Carolina via direct  
2 mail and digital media.

3 **Q. How will Sage LLC guard against slamming?**

4 A. Sage LLC will comply with all applicable South Carolina and Federal laws and  
5 regulations to prevent the unauthorized switching of customers. Sage Inc. has established  
6 procedures designed to prevent the unauthorized switching of customers. These  
7 procedures include obtaining a signed letter of authorization, or similar authorization,  
8 from all new customers, or third party verification.

9 **Q. If authorized to operate in South Carolina, will Sage LLC abide by the**  
10 **Commission's rules and regulations and the laws of the State of South Carolina, as**  
11 **now adopted or that may be adopted in the future, in its provision of competitive**  
12 **intrastate telecommunications services?**

13 A. Yes.

14 **Q. Will the service your company intends to provide meet the service standards of the**  
15 **Commission?**

16 A. Yes, Sage LLC's services will be the same as those currently provided by Sage Inc.

17 **Q. Would granting your application adversely impact the availability of affordable**  
18 **local exchange service?**

19 A. No.

20 **Q. Will your company support universally available telephone service at affordable**  
21 **rates as required by the Commission?**

22 A. Yes, Sage LLC will comply with all of the Commission's requirements.

23 **Q. Is Sage LLC requesting relaxed regulatory treatment?**



1 A. Yes. We will be a non-dominant, competitive provider of local exchange  
2 telecommunications services. Therefore, we request that the Commission regulate our  
3 company in the same relaxed fashion authorized in Order No. 98-165 in Docket No. 97-  
4 467-C and extended to other similarly situated carriers. We understand that this flexible  
5 regulatory treatment requires that we file maximum rates for our service offerings. Local  
6 tariff filings would be presumed valid once they are filed subject to the Commission's  
7 right to investigate the filing within thirty days.

8 **Q. Has Sage LLC requested alternative regulation of its long distance business service,**  
9 **consumer card and operator service offerings?**

10 A. We request that all of its long distance business services, consumer card, private line  
11 services and operator service offerings be regulated pursuant to the procedures described  
12 and set out in Docket No. 95-661-C and as modified by Order No. 2001-997-C in docket  
13 No. 2000-407-C. Specifically, we request

- 14 (a) removal of maximum rate tariff requirements for its business services, consumer  
15 card, operator service, and future private line, and customer network-type  
16 offerings;
- 17 (b) that tariff filings for these uncapped offerings are presumed valid upon filing. If  
18 the Commission institutes an investigation of a particular filing within seven days,  
19 the tariff filing will be suspended until further order of the Commission; and
- 20 (c) any relaxation in the reporting requirements that may be adopted for similarly  
21 situated carriers shall also apply to Sage LLC.

22 We understand that the alternative regulation orders were modified by Order No.  
23 2001-997 so that rate caps for operator-assisted calls where a consumer uses a local  
24 exchange carrier's calling card to complete calls from locations which have not selected  
25 that local exchange carrier as their toll provider. The order imposed a maximum cap of  
26 \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the  
27 flat per-minute rate associated with these calls.

28 **Q. Does Sage LLC seek waivers of any of the Commission's regulations?**

1 A. Yes, we have requested the following waivers:

- 2 • Sage LLC has requested a waiver of the requirement of S.C. Code Regs. 103-631  
3 to publish and distribute local exchange directories. Sage LLC intends to enter  
4 into an agreement with the directory publisher of incumbent local exchange  
5 carriers to include the names of its customers in those directories.
- 6 • Sage LLC requested a waiver of the requirement of S.C. Code Regs. 103-610 that  
7 a carrier keep all records required by the Commission's rules and regulations  
8 within the State of South Carolina. Since Sage LLC's headquarters are located in  
9 Texas, maintaining its books and records in South Carolina would be unduly  
10 burdensome and created additional expenses. We will make our books and  
11 records available upon request to the Commission and the ORS Staff and will  
12 bear the expense of travel for Staff to examine records located outside of South  
13 Carolina.
- 14 • Sage LLC requested an exemption from any policies that might require a carrier  
15 to maintain its financial records in conformance with the Uniform System of  
16 Accounts ("USOA"). TSC and Sage LLC currently maintain their books and  
17 records in accordance with Generally Accepted Accounting Principles ("GAAP"),  
18 and therefore do not possess the detailed cost data required by USOA. Since  
19 GAAP is used, the Commission and the S.C. Office of Regulatory Staff will have  
20 a reliable method to evaluate the company's operations.
- 21 • Sage LLC requested a waiver of S.C. Code Regs. 103-612.2.3, the requirement to  
22 file operating maps with the Commission, since Sage LLC seeks statewide  
23 certification.

- Sage LLC requested a waiver of S.C. Code Regs. 103-607's requirement that telephone utilities providing retail residential local exchange service provide a bond or other security mechanism. Sage Inc. does not currently provide residential local exchange services. As a result, Sage LLC does not intend to provide residential local services at the present time. At such time as Sage LLC plans to offer residential local services in South Carolina, we will comply with the bond requirement.

**Q. How will the residents of South Carolina benefit from Sage LLC's services and presence in South Carolina?**

A. Approval of Sage LLC's certification will promote the public interest by increasing the level of competition. Grant of the application will enable the seamless continuation of telecommunications services to Sage Inc.'s customers. Effective competition has the net economic impact of lower consumer prices, combined with the introduction and availability of more consumer products and services.

**3. REORGANIZATION AND ASSIGNMENT OF ASSETS**

**Q. Please describe the pre-transaction structure of the company.**

A. Sage Inc. is wholly-owned by TSC. Sage Inc. has two subsidiaries, Sage Telecom of Nevada LLC and Sage Telecom of Texas, LP. For the Commission's convenience, a chart depicting the pre-internal structural change corporate structure of the parties was attached as Exhibit 8 to the Application.

**Q. Please describe the proposed *pro forma* internal structural change.**

A. Sage LLC is an indirect wholly-owned subsidiary of TSC. The company will undertake a *pro forma* internal structural change whereby all of Sage Inc.'s assets and customers will

1 be transferred to Sage LLC. After the transaction, Sage LLC will become the sole Sage  
2 operating company in South Carolina. Pre and post-transaction corporate structure charts  
3 are attached as Exhibit 8 to the Application.

4 **Q. Please describe the ownership of the company before and after the *pro forma***  
5 **internal structural change.**

6 A. The *pro forma* internal structural change will not have any effect on the ownership of the  
7 company before and after the transaction. Sage LLC will be owned and managed by the  
8 same team that currently owns and manages Sage Inc., with no change in the rates, terms,  
9 and conditions of service currently received by subscribers. The Application requests that  
10 the Commission authorize Sage LLC to provide telecommunications service in South  
11 Carolina to the same extent as Sage Inc. because it is the parties' understanding that  
12 certificates of operating authority cannot be transferred to another entity, even if the  
13 transaction is *pro forma* in nature.

14 **Q. How will the transaction impact the services offered and the customers served by**  
15 **Sage Inc.?**

16 A. The proposed *pro forma* internal structural change will not adversely affect the services  
17 offered by Sage Inc. Sage LLC will obtain the customer base and substantially all  
18 telecommunications assets and operations of Sage Inc. in all states in which Sage Inc.  
19 operates. The internal structural change will be completely transparent to customers  
20 because Sage LLC will continue to offer telecommunications services identical to those  
21 provided by Sage Inc., with no change in rates, terms and conditions of service.

22 **Q. How will the internal structural change affect residents in South Carolina?**

23 A. The proposed transaction will have no impact on South Carolina residents, as Sage is not

1 serving customers in South Carolina at the present time. Sage LLC will also continue to  
2 market its services under the brand name "Sage Telecom." As a result and to the extent  
3 necessary, we requested a waiver of any applicable anti-slamming regulations.

4 **Q. What does Sage Inc. propose to do with any tariffs on file with the Commission?**

5 A. Sage LLC has submitted proposed tariffs adopting the terms of the tariffs of Sage Inc. If  
6 the application is approved, Sage Inc. requests that its tariffs and certificate of authority  
7 be cancelled.

8 **Q. Please explain how the internal structural change will serve the public interest in**  
9 **the State of South Carolina.**

10 A. The transaction will serve the public interest by enabling the company to continue  
11 offering customers a compelling alternative to legacy carriers and a comprehensive suite  
12 of telecommunications services. Since Sage Inc. does not currently have any South  
13 Carolina customers, there will be no impact on South Carolina residents. Once Sage LLC  
14 begins offering services in South Carolina, the internal structural change will ultimately  
15 enhance competition, generating the benefits that result from competition, such as  
16 customer choice, a more efficient, innovative, technologically advanced and diverse  
17 telecommunications infrastructure, higher service quality and competitive prices in South  
18 Carolina. Grant of this Application to issue the requested certificate to Sage LLC will  
19 therefore serve the public interest of the state of South Carolina

20 **Q. Does this conclude your testimony?**

21 A. Yes.

VERIFICATION

I, **Joseph P. Holop**, first being duly sworn upon oath, depose and say that I am Chief Operations Officer for Sage Telecom Communications, LLC and Sage Telecom, Inc.; that I have read the Testimony, and know the contents; that the contents are true, accurate, and correct to the best of my knowledge, information and belief.

Sage Telecom Communications, LLC  
Sage Telecom, Inc.

Joseph P. Holop  
Joseph P. Holop  
Chief Operations Officer

SWORN TO AND SUBSCRIBED

before me this 18<sup>th</sup> day of June, 2013.

Rocio C. Gonzalez  
Notary Public for

My Commission Expires: November 29, 2016

